

Flyer Fund Short Term Momentum Strategies: The Case for Revenue Growth

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Background: A number of recent academic studies have concluded that revenue growth can be a predictor of stock price movement, when examined in the cross section of returns. In this study, we focused on shifts in revenue during a recent earnings period: August 31, 2011-August 31, 2013.

33 stocks similar to the UD Flyer Fund are used for the analysis. We calculated compound annual growth rates (CAGR) in revenues for both a 4 Quarter period and an 8 Quarter period. All data was retrieved from the Bloomberg Financial Database.

Using cross-sectional regression analysis, we regress the 4th and 8th quarter CAGRs on the stock price changes over the same respective periods. The hypothesis to be tested is that the stock price movements are directly related to revenue momentum.

Objective:

Determining whether Flyer Fund stock prices co-vary with revenue growth

Model Specification:

$CQGP_i = a + b(CQGR_i)$
where

CQGP = Compound Quarterly Growth Rate in Price
CQGR = Compound Quarterly Growth Rate in Revenue
 i = nth stock

T = (1) 4 Quarters, (2) 8 Quarters

Hypothesis: $b > 0$

4 Quarter Regression

Intercept(a):	0.0264
Slope(b):	1.7434
T-Stat:	4.5772
R^2 :	0.4033

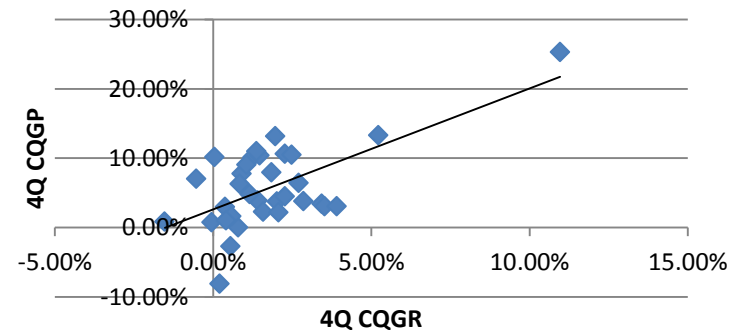
8 Quarter Regression

Intercept(a):	0.0448
Slope(b):	0.9480
T-Stat:	3.0750
R^2 :	0.2337

Conclusion:

In both regressions $b > 0$ indicating a direct relationship between CQGP and CQGR. The b coefficients are statistically significant. More data points are required in order to reduce small sample bias.

4Q CQGR to 4Q CQGP



8Q CQGR to 8Q CQGP

